

Polish Sustainable Recovery Monitor

– December 2020 issue

1.1 Economic Recovery – the big picture



COVID-19 pandemic – current state:

[According to the data as of January 04, the number of SARS-CoV-2 cases detected in Poland has exceeded 1.3 million, and the number of deaths approaches 30 000, while more than a million patients have recovered.](#) In terms of the number of tests per million inhabitants, Poland is still lagging behind the EU countries outperforming only Bulgaria. At the same time, the government maintained a partial lockdown of the economy, [and due to the increase in excess deaths in November and December](#), after a temporary loosening of restrictions in the pre-Christmas period (e.g. opening of shopping malls), it was decided to introduce a national quarantine between December 28 and January 17. The long-term outlook can be potentially improved by the vaccine, [of which about 1.5 million doses are to be delivered to Poland by the end of January.](#)



National Recovery and Resilience Plan (NRRP):

Until mid-December the government has been announcing that the NRRP will be presented for public consultation by the end of December [with 29th of December being the latest date mentioned by the representatives of the ministries.](#) As of 05.01 the Plan has not been made available and the details of the process have not been revealed. Latest information on the NRRP has been presented by the representatives of the Ministry of Development Funds and Regional Policy during webinars including the one [held by WiseEuropa on the December 14.](#)



Agreement on the EU 2021-2027 budget and Recovery Fund:

[EU leaders solved a gridlock that suppressed an agreement on the multiannual financial framework and the Next Generation EU.](#) The total value of these instruments will amount to approx. EUR 1.8 trillion, of which at least 30% will have to be spent on projects aimed at combating climate change and building green resilience. The negotiated package is the highest in the history of the EU.

[As a result of the summit conclusions, the rule of law principle and the content of the draft regulation on this matter did not change.](#) This means that a potential violation of the rule of law may be treated as a reason for withdrawing at least part of the funds. [From the perspective of the Polish government, the important aspect was that the European Commission will not be able to withhold payments of the EU funds due to violation of the rule](#)

[of law until the European Court of Justice has ruled on the compliance of the regulation with EU law. Considering the length of proceedings before the ECJ, it may take up to 2 years. However, Vera Jourova, Vice-President of the European Commission claims that this process will take months rather than years.](#)

In Poland, the agreement was strongly criticized by Solidarna Polska, one of the two coalition partners of the Law and Justice party within the governmental coalition. However, vast majority of the opposition welcomed the summit's decisions and launch of the NGEU. Due to the focus being placed on the rule of law issue, the discussion on climate targets gathered somewhat less attention in the Polish public debate. At the summit, higher greenhouse gas emission reduction target by 2030 from 40% to 55% compared to 1990 levels was agreed. While opposition from the Polish Prime Minister has led to lengthened negotiations throughout the night, this time the discussion focused on the role of nuclear and gas as well as financial aspects of the deal (notably redistribution of the funds within the EU ETS) rather than the overarching target itself. This marks a significant shift in Poland's negotiating stance compared to previous years.



Anti-crisis Shield update:

[The European Commission has approved extension of financial support through instruments implemented within the first edition of the Financial Shield.](#) PLN 7 billion (ca. EUR 1.54 billion) worth subsidies were granted for small and medium-sized enterprises under this instrument. [In addition, on December 23, the European Commission approved the state aid program for micro, small and medium-sized enterprises that had to reduce or suspend their activities due to the pandemic.](#) The funds are being granted as a part of Financial Shield 2.0 and the total amount of support is PLN 13 billion (ca. EUR 2.91 billion).

Moreover, [on December 19, the anti-crisis Industry Shield act came into force.](#) Among its instruments there are: exemption from social security contributions for November, one-time additional idle time benefit of PLN 2080 (ca. EUR 460) and subsidy up to 5,000 PLN (ca. EUR 1.103) for micro and small entrepreneurs (see November's edition of the Monitor).



President Andrzej Duda signed act prolonging the use of the EU funds:

[On December 18, President Andrzej Duda signed an amendment to the act extending the implementation period of projects under the EU financial perspective for 2014-2020 until the end of 2023.](#) It is in line with EU's policy which allows for extending the implementation of operational programs in light of challenges created by COVID-19 pandemic. [According to the Ministry of Development Funds and Regional Policy, so far the Act supported the expenditure of approx. PLN 15 billion \(ca. EUR 3.3 billion\) from EU funds within the capacity of the Fund Antivirus Package Fund.](#) The money has been disbursed to support, among others, nursing homes, hospitals as well as wage subsidies and subsidies for companies.

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Sectoral insights



Mining



Mining sector transition strategy to be unveiled by the end of March:

On December 15, representatives of the government, trade unions and the mining industry met to discuss restructuring strategy for the mining sector (see the September's edition of the Monitor). Previous announcements have indicated that the strategy will be presented by the end of the 2020, however more recent communication indicates at least a quarter-long delay. The strategy is to include both a gradual plan for downscaling mining activities and proposal for financial mechanisms aimed at supporting the restructuring of the industry. Importantly, it will also present the strategy for decoupling coal assets from the energy sector companies (see energy section).



JSW receives financial support from PFR:

On December 16, Jastrzębska Spółka Węglowa, a coking coal state-owned company, announced that it will receive a preferential loan of PLN 173.6 million (ca. EUR 38 mln) from the Polish Development Fund under the Financial Shield for large companies.

Moreover, on December 9, JSW and PFR signed an agreement regarding a PLN 1 bn (ca. EUR 220 mln) liquidity loan for the company, which PFR decided to grant last month (see the November edition of monitor).



ZE PAK KWB Konin and Famur pursuing the green transition

On December 2nd, the Management Board of PAK KWB Konin, a subsidiary of Zespół Elektrowni PAK, the second largest domestic producer of lignite-based electricity, decided not to realize investments aimed at exploiting new lignite deposits: Piaski, Dęby Szlacheckie and Ościsłowo. The decision is in line with the company's strategy, under which it plans to completely withdraw from coal-based energy production by 2030.

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Energy



The coal assets are to be separated from energy companies – government claims:

The energy and mining sector transition strategy which is to be announced by the end of March (see the mining section) will entail strategy for decoupling coal assets from energy sector companies. The government plenipotentiary for the transformation of

[energy companies and coal mining, Artur Soboń, announced](#) that the most probable option is to allocate coal assets to a separate entity or entities. Minister Soboń also indicated that the exact version of the reform is currently being discussed by working groups.

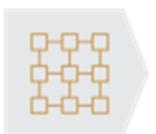
[Meanwhile, according to the media sources, for over a year representatives of the Polish Ministry of Climate and Environment, Polskie Sieci Elektroenergetyczne \(the national operator of the electricity transmission system\) and representatives of the European Commission have been in conversation on how to support coal-fired power plants after 2025](#), when it will no longer be possible to finance them through the capacity market mechanism. As it is necessary to prepare an alternative mechanism to ensure that these power plants function until the losses in the system are filled by other technologies, the parties consider the Early Decommissioning Mechanism that is already operating in Germany (power-plant owners receive compensation from the state for early decommissioning). This could mean that Polish government is ready to consider the withdrawal from coal much earlier than in 2049, the date which was announced in September.



PKN Orlen's partnership with PGNiG will speed the Ostrołęka Power Plant:

[Construction of a CCGT unit at the Ostrołęka Power Plant is becoming ever more likely as PKN Orlen, Energa and PGNiG agreed for joint implementation of this project.](#)

Initially, the block was planned to be fired with coal, but unfavourable market conditions and changes in the regulatory environment have forced the government to withdraw from original plans. Under the agreement, PKN ORLEN and Energa will take up a 51 percent stake, and PGNiG will get 49 percent shares. The companies assume that the process of obtaining approvals enabling the establishment of a company dedicated to the implementation of the investment will last until mid-2021.



PGE and PGNiG interested in Polish assets of CEZ Group:

[Polska Grupa Energetyczna, the largest state-owned company on the electricity market, and Polskie Górnictwo Naftowe i Gazownictwo, also state-owned leader in the gas market, have announced that they are interested in acquiring Polish assets of the ČEZ Group. PGE and PGNiG claim that the purchase of coal-fired CHP plants is in line with their strategies \(PGE announced its intention to achieve climate neutrality in 2050\)](#), which may mean the need to convert the CHP plants to gas. Both companies are already involved in the buyout of Fortum's assets (see the November's edition of the Monitor).



Nearly PLN 150 million of EU funds granted for modernization of the heating system:

[On December 10, the National Fund for Environmental Protection and Water Management announced that over PLN 146 million \(ca. EUR 32 million\) from EU funds under the Infrastructure and Environment Operational Program 2014-2020 will be allocated](#) to the construction and modernization of heating networks in 20 towns in Poland. Projects should contribute to a decrease in primary energy consumption, as well as to the reduction of greenhouse gas emissions. Investments in the

modernization of district heating in Poland are crucial, given that over 80% of domestic heating systems are classified as ineffective.



PGE launches energy storage project and plans to create the training center in Bełchatów:

Polska Grupa Energetyczna, the largest state-owned electricity company, [launched the first electricity storage system in Poland using Powerpack \(Tesla's\) modules in the Podkarpackie Province.](#)

Moreover, [the president of the group, Wojciech Dąbrowski, announced that in 2021, a training center will be created in Bełchatów](#) – a home-city of the largest lignite fueled power plant. This initiative will enable retraining of employees and developing competencies needed by the low-carbon economy.



Poland achieved records in electricity production from renewables in December, but the country will not reach its RES target for 2020:

[As reported by Polskie Sieci Elektroenergetyczne, December 7 was a record day when it comes to the amount of electricity generated from wind in Poland.](#) The 5.7 GW produced during the night peak moved the country for a while to the third place in Europe in this regard, only behind Spain and Germany. [On December 27, energy produced by wind again achieved 5.7 GW level, while overall RES provided more than 7 GW of power which stated for over 40% of domestic electricity demand that day.](#) However, as Eurostat data shows, [that the overall share of renewables in energy consumption in Poland falls short from the EU target and the country will not meet the 15% RES in gross energy consumption by 2020.](#) Data indicates that the share of renewable energy in gross energy consumption in Poland is 12.2%, while in the EU it is 19.7%.



Over 2.5 GW of new renewable sources to be supported via auctioning system in 2021:

[On December 16, the Council of Ministers adopted a regulation on the maximum amount and value of electricity from renewable energy sources that can be auctioned in 2021.](#) The estimated amount of energy that may be sold during the auction in 2021 would be 69.6 TWh over the 15-year support period. Auctions in 2021 should allow for construction of new RES installations with a capacity of 2.57 GW.



Sejm - lower house of the Polish parliament adopted the offshore law:

[On December 17, the lower house of the Polish parliament, voted for the act on promoting electricity generation in offshore wind farms,](#) adopted on November 24 by the Council of Ministers (see the November's edition of the Monitor). Now the bill will go to the Senate, which will deal with it in early January. It is expected that the act may enter into force in February 2021.

In light of these developments, a major Polish state-owned energy company- Tauron, confirmed its interest in the offshore sector. [The company has signed an agreement on construction of offshore wind farms in the Baltic Sea with OW Offshore, a company belonging to Portuguese EDP Renovaveis and French ENGIE.](#)



Poland joins the European hydrogen technologies and systems value chain initiative:

[On December 17, Poland has joined European hydrogen technologies and systems value chain initiative](#), which is a part of the IPCEI (Important Projects of Common European Interest) mechanism with an aim of strengthening the competitiveness of the European hydrogen industry. Since 2017, Poland has also been a member of the initiative for the battery industry in the EU (European Battery Alliance), also implemented under the IPCEI mechanism and dedicated to the creation of a strong European value chain in the field of battery cells.



Polish-American agreement aimed at strengthening cooperation on low-emission shift of the Polish economy:

[On December 11, the Ministry of Climate and Environment and the American Export-Import Bank signed a memorandum of understanding \(MoU\) for financing projects supporting low-emission transition in Poland](#). The agreement is focused on implementation of financial tools (loans, guarantees, insurance) supporting low-carbon projects. One of the main objectives of the agreement is to support cooperation in the area of financing nuclear technologies – it can be treated as another step in the process of tightening the Polish-American collaboration focused on the "Polish Nuclear Power Program" adopted by the government in October, which envisages 6-9 GW of nuclear capacity by 2043 (see October's edition of the Monitor).

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Transport



State aid for PLL LOT:

[The European Commission has agreed for the aid package for PLL LOT, state-owned airline company](#). The amount of financing granted by government is PLN 2.9 billion (ca. EUR 637 million) and it includes a loan of PLN 1.8 billion (ca. EUR 396 million) granted under the Polish Development Fund's Financial Shield for large companies and the PLN 1.1 billion (ca. EUR 242 million) subsidy. Information regarding the state's support lacks details on any conditionalities, most likely no green strings were attached to this transfer.



Ministry of Climate and Environment launches the public consultation of regulation aimed at boosting electric and hydrogen charging infrastructure:

[On December 18, the Ministry of Climate and Environment submitted for public consultation a draft regulation on supporting hydrogen infrastructure and charging stations for electric vehicles](#). It is estimated that subsidies supporting these undertakings, worth approx. PLN 800 million (ca. EUR 176 million), would be distributed by the National Fund for Environmental Protection and Water Management until the end of 2023. Funds will be allocated to projects related to the construction of new or expansion of existing

charging points. According to the provisions of the national framework for the development of alternative fuels infrastructure adopted by the government in 2017, a total of 6,400 charging points for electric vehicles should operate by the end of 2020, [while the data from the end of October indicated less than 3,000](#).



Fiat Chrysler will invest PLN 755 million in electromobility in Silesia:

[Deputy Prime Minister and Minister of Development, Labor and Technology, Jarosław Gowin announced that Fiat Chrysler will invest PLN 755 million \(ca. EUR 166 million\) in its factory in Tychy.](#) The aim of the investment is to launch the production of new electric and hybrid models of Jeep, Fiat and Alfa Romeo. The first models are to be available in 2022. The automotive industry is one of the most important sectors on the industrial map of Silesian coal region. In this context, the company's decision to start production of low-emission cars in Tychy can support low-carbon transition of the local economy.

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Buildings



ESCO model to be implemented in Poland by key public institutions financing the transition:

[The National Fund for Environmental Protection and Water Management \(NFOŚiGW\) and the Polish Development Fund \(PFR\) have signed an agreement for the implementation of the energy service company \(ESCO\) model in Poland.](#) Investments in sustainable construction projects under the ESCO model are supported, among others, from the Horizon 2020 program and implemented in several European countries. NFOŚiGW and PFR have so far agreed to launch a pilot program worth PLN 10 million (EUR 2.2 million) in 2021. Program will support housing cooperatives and local government units.



The National Center for Research and Development is launching programs supporting European Green Deal i.a. dedicated to zero-emission housing:

[On December 28, the National Center for Research and Development, a state institution responsible for the management and implementation of strategic research and development programs, announced the "Energy and process-efficient construction" program.](#) The initiative will be financed from the European Regional Development Fund, and its budget will amount to PLN 37.5 million (ca. EUR 8.3 million). The aim of the program is to create modular technologies for the construction of zero-energy and plus-energy single- and multi-family residential buildings over 3 years. The materials from which the modules will be created are to be obtained largely from recycling.

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WiseEuropa's updates



You can find previous editions of the Polish Sustainable Recovery Monitor using this link: <http://wise-europa.eu/en/polish-sustainable-recovery-monitor-2/>



Events and publications:

[National Recovery Plan – current state of work, opportunities and challenges](#) – webinar dedicated to stimulate public discussion on the the National Recovery and Resilience Plan and the opportunities it creates. Among participants were representatives of the European Commission, the Ministry of Development Funds and Regional Policy and industry associations.

[Renovation. Landscape of low-carbon investments in the building sector](#) – report prepared by WiseEuropa in cooperation with NewClimate Institute and I4CE – Institute for Climate Economics, with whom we have collaborated over the past three years on a EUKI supported project dedicated to tracking climate finance flows at the national level.

[Climate Contribution and its role in European industrial decarbonisation](#) – policy brief focused on introducing the climate contribution to compliment the free allocation in the EU Emissions Trading System.

[Carbon Capture and Storage - technology and business of the CEE region future](#) – online webinar which launches the new project “Building momentum for the long-term CCS deployment in the CEE region” coordinated by WiseEuropa.



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